

1 STATE OF WASHINGTON
2 DEPARTMENT OF FINANCIAL INSTITUTIONS
3 SECURITIES DIVISION

4 IN THE MATTER OF DETERMINING) Order Number S-04-147-04-TO01
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) SUMMARY ORDER TO CEASE AND
7 Millennium Marketing and) DESIST, AND NOTICE OF INTENT TO
8 Management, LLC; and) IMPOSE FINES AND ORDER
9 James M. Pielemeier;) AFFIRMATIVE RELIEF
Respondents.)
)
)
)
)

10 THE STATE OF WASHINGTON TO: Millennium Marketing and
11 Management, LLC; and
James M. Pielemeier

12 **STATEMENT OF CHARGES**

13 Please take notice that the Securities Administrator of the State of Washington has
14 reason to believe that the Respondents, Millennium Marketing and Management, LLC and
15 James M. Pielemeier, have each violated the Securities Act of Washington and that their
16 violations justify the entry of an Order of the Securities Administrator under RCW 21.20.390
17 against each to cease and desist from such violations and under RCW 21.20.395 to impose
18 fines. The Securities Administrator finds that delay in ordering the Respondents to cease and
19 desist from such violations would be hazardous to the investors and to the public and that a
20 Summary Order to Cease and Desist should be entered immediately. The Securities
21 Administrator finds as follows:
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24 SUMMARY ORDER TO CEASE AND DESIST, AND
NOTICE OF INTENT TO IMPOSE FINES AND ORDER 1
AFFIRMATIVE RELIEF

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 **TENTATIVE FINDINGS OF FACT**

2 **RESPONDENTS**

3 1. Millennium Marketing and Management, LLC ("Millennium") is a Washington limited
4 liability company with a mailing address in Arlington, Washington. According to its
5 materials, Millennium's primary business is to locate investment opportunities.

6 2. James M. Pielemeier ("Pielemeier") is the founder and President of Millennium.
7 Pielemeier is a former formerly licensed securities salesperson who passed his Series 7 and
8 Series 63 examinations. Between 1984 and 1990, Pielemeier was licensed as a securities
9 salesperson with the state of Washington and worked for Merrill Lynch. Pielemeier is a
10 resident of Arlington, Washington.

11 **OTHER RELEVANT ENTITY**

12 3. IPIC International, Inc. (a/k/a International Product Investment Corp.) ("IPIC") was a
13 Nevada corporation that was based in California. IPIC was purportedly an import-export
14 company.

15 **OTHER RELEVANT ACTIONS**

16 4. On November 17, 2003, the U.S. Securities and Exchange Commission ("SEC") filed
17 an emergency civil action against IPIC and several individuals associated with it. SEC v.
18 IPIC International, Inc., et al. Civil Action No. 3:03-CV-2781-P (N.D. Tex). The SEC
19 alleged that the defendants fraudulently raised at least \$160 million, through a massive Ponzi
20 scheme that targeted members of evangelical Christian congregations as part of an affinity
21 fraud. The Court granted the SEC's motion for an asset freeze and the appointment of a
22 receiver.

1 5. On November 18, 2003, the United States Attorney for the Northern District of Texas
2 unsealed an indictment against several individuals associated with IPIC, and agents for the
3 FBI and IRS arrested the indicted individuals.

4 NATURE OF THE OFFERINGS

5 6. This action involves James Pielemeier, a formerly licensed securities salesperson who
6 between at least April and October 2003, offered and sold unregistered investments in
7 approximately a dozen joint ventures related to IPIC to at least twenty investors who reside
8 primarily in Washington and Oregon. Millennium's investors ultimately lost approximately
9 \$450,000 in IPIC-related investments. Pielemeier later raised over \$100,000 through the offer
10 and sale of other Millennium joint venture agreements involving real estate ventures in
11 Mexico and Belize.

12 7. Pielemeier formed Millennium in March 2003 to facilitate IPIC-related investments.
13 As part of his solicitations, Pielemeier created and distributed several documents to investors,
14 including an overview of Millennium, joint venture proposals, and joint venture agreements.
15 In describing the investments, Pielemeier represented that Millennium had entered into
16 agreements with IPIC to provide funding to IPIC to purchase manufactured products at
17 "highly discounted prices" that would later be resold at "lower than normal wholesale prices."
18 Respondents failed to disclose the identity of the purchaser of the products in the purported
19 joint ventures and referred only to a "Customer" whose "name shall remain confidential."

20 8. Each joint venture generally involved one type of product, including paint, latex
21 condoms, toy trucks, and electric scooters. Under the terms of IPIC's joint venture
22 agreements with Millennium (hereinafter "IPIC joint ventures"), IPIC was responsible for
23

1 accomplishing all activities necessary to purchase and resell the goods, and Millennium had
2 no duties or obligation in connection with the operations of the joint venture. Profits from
3 each joint venture were to be divided equally between Millennium and IPIC.

4 9. Pielemeier, in turn, offered individual investors the opportunity to enter into a second,
5 related joint venture agreement with Millennium, which would entitle them a share of
6 Millennium's profits from its joint venture with IPIC (hereinafter "Millennium joint
7 ventures"). After a portion of the profits from the joint venture was donated to charity,
8 Millennium was typically entitled to 40% of the net profits as a "management fee" and
9 individual investors would receive the remaining 60% of the net profits. As in the case of the
10 IPIC joint ventures, investors in the Millennium joint ventures had no duties or obligations
11 relating to the operation of the joint venture. In the Millennium joint venture agreements,
12 both Pielemeier and the investor acknowledged and agreed that the investor's capital
13 contribution may be construed as involving the sale and purchase of a security as defined by
14 Washington securities laws.

15 10. Pielemeier found prospective investors for Millennium joint ventures by speaking to
16 members of Christian churches in Washington, and by receiving referrals. In at least one
17 instance, Pielemeier entered into an oral agreement to share a portion of the profits as a
18 referral fee. To win the trust of investors, Pielemeier created and distributed a document that
19 noted his twenty-eight year background in investments opportunities and touted his
20 "expertise" in securities, as well as his former employment at Merrill Lynch, a nationally
21 recognized broker-dealer. The offering materials did not disclose that Pielemeier was not
22 licensed to sell securities in Washington, and had not been licensed since 1990.

1 11. The Respondents lured investors by leading them to expect extraordinary returns within
2 a matter of weeks. Pielemeier distributed offering documents that represented that
3 Millennium's joint venture partners had received net returns of 20% to 35% per joint venture,
4 within a typical time frame of 120 days. In joint venture proposals, the Respondents led
5 investors to believe that they would receive net returns of 30% or greater within as little as 90
6 to 120 days.

7 12. Pielemeier directed prospective investors to sign documents containing non-disclosure
8 and confidentiality clauses that prohibiting them from discussing the purported investment
9 program. When an investor agreed to invest, Pielemeier had them sign a Millennium joint
10 venture agreement and directed them to make out a check out to Millennium, or transfer funds
11 to Millennium's bank account in Washington. In most instances, after a number of investors
12 had deposited their funds at Millennium's bank account, Pielemeier wired their pooled funds
13 to one of IPIC's bank accounts, as part of Millennium's corresponding joint venture with
14 IPIC.

15 13. In September 2003, Pielemeier notified investors that payments on the joint ventures
16 agreements could be delayed because banks were exerting stringent controls over
17 international wire transfers, but then added, "Be assured; all is going extremely well."
18 Unbeknownst to investors, earlier in the month, Pielemeier had written to the CEO of IPIC
19 and stated that he wanted to visit IPIC's operations in Panama because he wanted to "be able
20 to look an investor in the eye and tell him that I have actually witnessed the operations
21 there[.]"

22 14. In October 2003, Pielemeier began offering so-called "founders shares" to investors.
23

1 Pielemeier informed his investors that IPIC would no longer be offering joint venture
2 opportunities, but that IPIC was going to take the company public and had offered
3 Millennium the opportunity to purchase shares prior to the public offering at a price of \$2 per
4 share. Pielemeier led investors to believe that these shares would be selling for \$6 to \$12
5 within 90 to 120 days.

6 15. Following his role as an intermediary in the sale of IPIC-related investments,
7 Pielemeier sold other Millennium joint ventures agreements involving real estate ventures in
8 foreign countries. Between October and November 2003, Pielemeier raised approximately
9 \$90,000 from investors through the offer and sale of Millennium joint ventures agreements
10 involving beachfront lots in Mexico. Offering materials distributed by the Respondents stated
11 that money raised by Millennium would be used to provide funding to another company that
12 would purchase subdivided lots in the Yucatan Peninsula. Individual investors were passive
13 and relied on Pielemeier to generate a return on their investment. After the properties were
14 resold, the profits would be disbursed to individual investors. Pielemeier represented that
15 investors in the Mexican real estate joint ventures would receive returns of 101% within 12 to
16 18 months. Months later, in May 2004, Pielemeier raised \$35,000 through the offer and sale
17 of a similar Millennium joint venture agreement involving seafront lots in Belize.

18 16. In the offer and sale of the Millennium investment opportunities, the Respondents
19 omitted material facts, which made the information that was disclosed misleading to
20 investors. The Respondents failed to disclose materials facts about the transactions that
21 would purportedly generate the extraordinary returns that were projected, including the
22 identity of the unnamed "Customer" that was purportedly buying the products from IPIC.

1 The Respondents further failed to disclose the risks associated with a secretive investment of
2 this sort, in which investors are deprived of any meaningful opportunity to independently
3 verify the representations that are made. The Respondents failed to disclose the basis and
4 assumptions related to the timing of IPIC's purported public offering and the price at which
5 the shares would trade.

6 17. The Respondents misled investors by representing that there was only a "slight" risk
7 that their invested capital "could be at risk either wholly or in part." The Respondents
8 exacerbated these misrepresentations by incorporating religious references about the
9 investment. Among the representations that were made to investors were that: "This is all
10 part of the wealth transfer system that is advancing the Kingdom of God" and past
11 performance "can give you an idea of the level of blessing God has been providing for our
12 partners[.]" The Respondents also included a clause in the joint venture agreements that
13 stated that Millennium would indemnify the investor for any and all losses and damages
14 arising out of or in connection with any breach of any representation, or agreement made by
15 Millennium or IPIC, or the fault, negligence or intentional misconduct of Millennium or IPIC.
16 The Respondents failed to provide investors with financial statements or other material
17 information related to Millennium's financial ability to indemnify investors against losses.
18 When later called to account by one of his investors, Pielemeier replied, "if someone puts
19 legal pressure on Millennium or me then ... Millennium will be forced into bankruptcy" and
20 "a person would waste a lot of money trying to pursue such potential legal remedies."

1 **REGISTRATION STATUS**

2 18. The offering of the joint venture agreements and stock described above is not currently
3 and has not previously been registered under the Securities Act and no notification of
4 exemption is on file with the Securities Administrator of the state of Washington.

5 19. At the time he offered and sold the securities described above, James M. Pielemeier was
6 not registered as a securities salesperson or broker-dealer in the state of Washington, and
7 Millennium Marketing and Management, LLC was not registered as a broker-dealer in the
8 state of Washington.

9 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

1 **CONCLUSIONS OF LAW**

2 1. The offer or sale of the joint venture agreements and stock described above constitutes
3 the offer or sale of a security, as defined in RCW 21.20.005(10) and (12).

4 2. Millennium Marketing and Management, LLC and James M. Pielemeier have each
5 violated RCW 21.20.010 because, in connection with the offer or sale of said securities, they
6 each made untrue statements of material fact or omitted to state material facts necessary in
7 order to make the statements made, in the light of the circumstances under which they are
8 made, not misleading.

9 3. Millennium Marketing and Management, LLC and James M. Pielemeier have each
10 violated RCW 21.20.140, the securities registration provision of the Securities Act, because they
11 each offered and/or sold securities for which there was no registration on file with the Securities
12 Administrator.

13 4. Millennium Marketing and Management, LLC and James M. Pielemeier have each
14 violated RCW 21.20.040, because they offered and/or sold securities while not registered as a
15 securities salesperson or broker/dealer in the state of Washington.

16 5. The Securities Administrator finds and concludes that an emergency exists, that
17 continued violations of RCW 21.20.010, RCW 21.20.140, and RCW 21.20.040 constitute a
18 threat to the investing public, and that a summary order to cease and desist from those
19 violations is in the public interest and necessary for the protection of the investing public.

1 **SUMMARY ORDER**

2 Based on the foregoing,

3 NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that the
4 Respondents, Millennium Marketing and Management, LLC and James M. Pielemeier; their
5 agents, employees, and representatives, shall each cease and desist from violating RCW
6 21.20.010, the anti-fraud section of the Securities Act.

7 It is further SUMMARILY ORDERED that the Respondents, Millennium Marketing
8 and Management, LLC and James M. Pielemeier; their agents, employees, and
9 representatives, shall each cease and desist from violating RCW 21.20.140, the securities
10 registration section of the Securities Act.

11 It is further SUMMARILY ORDERED that the Respondents, Millennium Marketing
12 and Management, LLC and James M. Pielemeier, shall each cease and desist from violating
13 RCW 21.20.040, the securities broker-dealer and securities salesperson registration section of
14 the Securities Act.

15 **NOTICE OF INTENT TO IMPOSE FINE AND RECOVER COSTS**

16 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
17 Administrator finds that Respondents Millennium Marketing and Management, LLC and James
18 M. Pielemeier have committed a knowing or reckless violation of the Securities Act such that the
19 imposition of a fine is appropriate. Therefore, pursuant to RCW 21.20.390 and 21.20.395, the
20 Securities Administrator intends to order that the Respondents shall jointly and severally pay a
21 fine in the amount of \$20,000 and the costs, fees, and other expenses incurred in the conduct of
22 investigating this matter, in an amount not less than \$5,000.

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2 **AUTHORITY AND PROCEDURE**

3 This Order is entered pursuant to the provisions of RCW 21.20.390 and RCW
4 21.20.395 and is subject to the provisions of RCW 34.05. The Respondents may make a
5 written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND
6 AND OPPORTUNITY FOR HEARING accompanying this Order. A request for a hearing
7 should be in writing and should be sent to Michael E. Stevenson, Securities Administrator,
8 Department of Financial Institution, P.O. Box 9033, Olympia, WA 98507-9033.

9 If a Respondent does not make a timely hearing request, the Securities Administrator
10 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make
11 the Summary Order to Cease and Desist permanent as to that Respondent and impose the fine
12 and affirmative relief as set forth.

13 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

14 Dated and Entered this 4th day of April, 2005

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17 MICHAEL E. STEVENSON
18 Securities Administrator

19 Approved by:

20 

21 Martin Cordell
22 Chief of Enforcement

Presented by:

23 

24 Robert Kondrat
Financial Legal Examiner